

YPSILANTI HOUSING COMMISSION  
YPSILANTI, MICHIGAN

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
AND  
REPORTS ON INTERNAL CONTROL AND  
COMPLIANCE

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Ypsilanti Housing Commission</b>	County
Audit Date <b>6/30/05</b>	Opinion Date <b>2/28/06</b>	Date Accountant Report Submitted to State: <b>3/8/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name)

**Barry E. Gaudette, CPA, PC**

Street Address

**1107 E. Eighth Street**

City

**Traverse City**

State

**MI**

ZIP

**49686**

Accountant Signature

*Barry E. Gaudette, CPA*

Date

**3/8/06**

YPSILANTI HOUSING COMMISSION  
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INTRODUCTION

***Independent Auditor's Report***

Board of Commissioners  
Ypsilanti Housing Commission  
Ypsilanti, Michigan

I have audited the accompanying financial statements of the business-type activities of the Ypsilanti Housing Commission, Michigan, a component unit of the City of Ypsilanti, as of and for the year ended June 30, 2005, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Ypsilanti Housing Commission, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 6(D), the Housing Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as amended and interpreted as of June 30, 2005.

Ypsilanti Housing Commission  
Independent Auditor's Report  
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated February 28, 2006, on my consideration of Ypsilanti Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 7, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Ypsilanti Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Ypsilanti Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sam E. Faudett, CPA, PC*

February 28, 2006

YPSILANTI HOUSING COMMISSION  
YPSILANTI, MICHIGAN  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)**  
June 30, 2005  
=====

The Ypsilanti Housing Commission, created in 1953, by the City of Ypsilanti provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

**Financial Highlights**

The financial statements for Ypsilanti Housing Commission consists of three programs. The first is owned housing, consisting of 193 units of public housing, the second is the capital funding program, and the third is the housing choice voucher program consisting of 200 qualifying low-income residents for rental housing.

Ypsilanti Housing Commission had total revenues of \$2,816,883 that includes \$282,407 in rental payments and \$2,437,390 in federal assistance. Total revenues increased by \$264,324 from the prior year, in part, because of \$40,724 received for capital grants and \$175,563 more in operating grants from the federal government compared to the prior year. Total operating expenses were \$3,031,820, that includes \$567,820 in administrative expenses, \$151,824 in utilities, \$406,088 in ordinary maintenance and operation, \$1,540,903 in housing assistance payments, and \$224,004 in depreciation expense. The operating expenses increased by \$125,758, in part, because of increased general liability insurance expenses, increased Housing Assistance Payments to landlords, and administrative expenses increased over the prior year.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent fiscal year by \$3,294,147. The Housing Commission's total net assets decreased by \$214,937 from the prior year. The decrease can be attributed, in part, to the depreciation expense of \$224,004.

Total assets of the Housing Commission were \$3,426,432, of which \$535,635 consisted of current assets and \$78,560 of current liabilities. There was a net decrease in total assets of \$165,946 from the prior year. The decrease is due, in part, because of the net difference of \$108,084 between depreciation and capital asset outlays, fire unit restoration expenses of \$29,646, and a \$20,041 in general liability insurance premiums.

### Financial Highlights (continued)

The Ypsilanti Housing Commission (YHC) continues to operate on a very tight fiscal basis. There has been little change that will impact on the organization's finances. One area that has continued is the fee assessments to the YHC from the City of Ypsilanti as a result of the City Code inspections that are required under the City of Ypsilanti Building Code. Last year the YHC was assessed inspection fees in a total of \$17,000.00. These fees do have a negative impact on the YHC fiscal position. The YHC anticipated significant positive change in our fiscal position in regard to acquiring from HUD the Parkview Apartments. This acquisition and redevelopment would have earned the YHC a developer's fee of approximately \$750,000 and some positive cash flow as the owner of the Parkview Apartments. The effort to acquire this property was not allowed to proceed due to resistance of the City of Ypsilanti.

The YHC was significantly affected by the decision of the City of Ypsilanti, Michigan to not give their support to the Commission's acquisition of Parkview Apartments in that their lack of support had a deleterious effect on projected physical improvements planned for Commission owned Parkridge Apartments, the improvement of which would have used the same Low income Housing Tax Credit (LIHTC) development approach as was to be used to raise over four million dollars for the redevelopment of Parkview Apartments.

The YHC committed resources and energy to rehabilitate four (4) units at its Paradise Manor site that were damaged by fire in 2002.

The YHC made a decision in the fiscal year of 2005 to plan for the exterior painting of its Parkridge Apartment property (MI 26-1). This was done by contracting the upper part of the structures to be painted by contractors and all of the remaining part of the structures to be painted by approximately 120 "Day of Caring" United Way Volunteers as a way of reducing the cost of this work and at the same time getting the community involved in a worth while project that improved the environment for our residents and overall community.

The YHC made a decision to plan for the installation of a playground at its Hollow Creek property (MI 26-4). This project was to be accomplished using a Community Build Approach where the entire community becomes involved in the project and thereby creating greater ownership by the residents and their children while at the same time achieving by-in by other components of the neighborhood and community and government officials.

During this period the YHC purchased snow removal and lawn care equipment for the purpose of improving the quality of snow removal and lawn care while, creating a more cost efficient approach than contracting these services. Additionally, this approach allowed the YHC to put on two additional maintenance workers to address not only these two functions but to also provide need assistance in

### Financial Highlights (continued)

general maintenance.

I know of no known facts, decisions, or conditions that are expected to have a significant effect on financial positions or results of operations at this time other than those at the HUD level that reduces the performance funding system subsidy amount that the YHC receives for HUD and the reduction of Section 8 Voucher Subsidy received from HUD as a result of changes made in the fiscal year of 2005.

Questions and comments regarding this Management Discussion and Analysis may be directed to:

Walter Norris, Jr., Executive Director  
601 Armstrong Drive, Ypsilanti, MI 48197

### Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- \* Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.
- \* Statement of Activities - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- \* Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

### Financial Analysis of the Housing Commission

The following combined condensed balance sheets show a summary of changes for the years ended June 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>	<u>Net Change</u>
Current assets	\$ 535,635	\$ 593,496	\$ ( 57,861)
Property and equipment	<u>2,890,797</u>	<u>2,998,882</u>	<u>( 108,085)</u>
Total assets	<u>\$3,426,432</u>	<u>\$3,592,378</u>	<u>\$ ( 165,946)</u>
Current liabilities	\$ 78,560	\$ 60,615	\$ 17,945
Noncurrent liabilities	<u>53,725</u>	<u>22,679</u>	<u>31,046</u>
Total liabilities	<u>132,285</u>	<u>83,294</u>	<u>48,991</u>
Net assets:			
Invested in capital assets	2,890,797	2,998,882	( 108,085)
Unrestricted	<u>403,350</u>	<u>510,202</u>	<u>( 106,852)</u>
Total net assets	<u>3,294,147</u>	<u>3,509,084</u>	<u>( 214,937)</u>
Total liabilities and net assets	<u>\$3,426,432</u>	<u>\$3,592,378</u>	<u>\$ ( 165,946)</u>

**Financial Analysis of the Housing Commission (continued)**

The following table summarizes the Statement of Activities of the Housing Commission for the years ended June 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>	<u>Net Change</u>
<b>Operating revenues:</b>			
Dwelling rent	\$ 282,407	\$ 302,536	\$ ( 20,129)
Nondwelling rent	<u>3,133</u>	<u>24,835</u>	<u>( 21,702)</u>
Total operating revenues	<u>285,540</u>	<u>327,371</u>	<u>( 41,831)</u>
<b>Operating expenses:</b>			
Administration	567,820	419,529	148,291
Tenant services	3,211	52,003	( 48,792)
Utilities	151,824	124,729	27,095
Ordinary maintenance and operation	406,088	431,892	( 25,804)
Protective services	3,611	2,515	1,096
General expenses	104,713	122,902	( 18,189)
Extraordinary maintenance	29,646		29,646
Housing assistance payments	1,540,903	1,456,768	84,135
Depreciation	<u>224,004</u>	<u>295,724</u>	<u>( 71,720)</u>
Total operating expenses	<u>3,031,820</u>	<u>2,906,062</u>	<u>125,758</u>
<b>Non-operating revenue:</b>			
Interest income	17,021	4,085	12,936
Operating grants	2,321,470	2,145,907	175,563
Capital grants	115,920	75,196	40,724
Other income	<u>76,932</u>		<u>76,932</u>
Total nonoperating revenue	<u>2,531,343</u>	<u>2,225,188</u>	<u>306,155</u>
<b>Change in Net Assets</b>	<u><u>\$ ( 214,937)</u></u>	<u><u>\$ ( 353,503)</u></u>	<u><u>\$ 138,566</u></u>

FINANCIAL STATEMENTS

YPSILANTI HOUSING COMMISSION  
STATEMENT OF NET ASSETS  
June 30, 2005  
=====

**ASSETS**

Current Assets:

Cash	\$ 64,079
Accounts receivable-HUD	96,674
Accounts receivable-tenants	13,002
Allowance for doubtful accounts	( 34)
Investments-unrestricted	355,183
Prepaid expenses	<u>6,731</u>

Total Current Assets 535,635

Property and Equipment:

Land	935,200
Buildings	9,581,076
Equipment	304,911
Building improvements	<u>115,920</u>
	10,937,107
Less: accumulated depreciation	<u>( 8,046,310)</u>

Net Property and Equipment 2,890,797

Total Assets \$ 3,426,432

See notes to financial statements

YPSILANTI HOUSING COMMISSION  
STATEMENT OF NET ASSETS (CONTINUED)  
June 30, 2005  
=====

**LIABILITIES and NET ASSETS**

Current Liabilities:	
Accounts payable	\$ 23,590
Tenant security deposit liability	29,235
Accrued expenses	17,093
Deferred revenues	4,153
Other current liabilities	<u>4,489</u>
Total Current Liabilities	78,560
Noncurrent Liabilities:	
Accrued compensated absences	<u>53,725</u>
Total Liabilities	<u>132,285</u>
Net Assets:	
Invested in capital assets	2,890,797
Unrestricted net assets	<u>403,350</u>
Total Net Assets	<u>3,294,147</u>
Total Liabilities and Net Assets	<u>\$ 3,426,432</u>

See notes to financial statements

YPSILANTI HOUSING COMMISSION  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2005  
=====

**OPERATING REVENUES:**

Dwelling rent	\$ 282,407
Non-dwelling rent	<u>3,133</u>

Total operating revenues	<u>285,540</u>
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**OPERATING EXPENSES:**

Administration	567,820
Tenant services	3,211
Utilities	151,824
Ordinary maintenance and operation	406,088
Protective services	3,611
General expenses	104,713
Extraordinary maintenance	29,646
Housing assistance payments	1,540,903
Depreciation	<u>224,004</u>

Total operating expenses	<u>3,031,820</u>
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Operating income(loss)	<u>(2,746,280)</u>
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**NONOPERATING REVENUES:**

Investment interest income	17,021
Other income	76,932
Capital grants	115,920
Operating grants	<u>2,321,470</u>

Total nonoperating revenues	<u>2,531,343</u>
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Change in net assets	( 214,937)
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Prior period adjustments, equity transfers and correction of errors	( 50,720)
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Net assets, beginning	<u>3,559,804</u>
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Net assets, ending	<u><u>\$ 3,294,147</u></u>
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See notes to financial statements

YPSILANTI HOUSING COMMISSION  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2005  
=====

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from dwelling and nondwelling rents	\$ 271,980
Cash payments to other suppliers of goods and services	(2,114,395)
Cash payments to employees for services	( 640,251)
Cash payments for in lieu of taxes	<u>( 12,000)</u>
Net cash (used) by operating activities	<u>(2,494,666)</u>

**CASH FLOWS FROM NONCAPITAL  
FINANCING ACTIVITIES:**

Adjustments	102,123
Tenant security deposits	11,475
Operating grants	2,026,162
Other revenue	<u>138,816</u>
Net cash provided by noncapital financing activities	<u>2,278,576</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING  
ACTIVITIES:**

Capital grants	115,920
Payments for capital acquisitions	<u>( 115,919)</u>
Net cash provided by capital and related financing activities	<u>1</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Certificates of deposits purchased	( 15,183)
Receipts of interest and dividends	<u>17,021</u>
Net cash provided by investing activities	<u>1,838</u>

Net increase(decrease) in cash	( 214,251)
Cash, beginning	<u>278,330</u>
Cash, ending	<u>\$ 64,079</u>

YPSILANTI HOUSING COMMISSION  
STATEMENT OF CASH FLOWS (CONTINUED)  
Year Ended June 30, 2005  
=====

Reconciliation of cash and cash equivalents  
per statement of cash flows to the balance  
sheet:

Cash	\$ 64,079
Restricted cash	<u>          </u>
Cash and cash equivalents per balance sheet	<u><u>\$ 64,079</u></u>

SCHEDULE RECONCILING OPERATING INCOME  
TO NET CASH FLOW FROM OPERATING  
ACTIVITIES:

Operating income(loss)	\$(2,746,280)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	224,004
Bad debt allowance	( 966)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	( 8,536)
Prepaid expenses	( 404)
Increase (decrease) in liabilities:	
Accounts payable	17,430
Accrued wage/payroll taxes payable	( 3,386)
Accrued compensated absences	29,847
Accounts payable-PILOT	( 5,840)
Other current liabilities	4,489
Deferred revenues	<u>( 5,024)</u>
Net cash (used) by operating activities	<u><u>\$(2,494,666)</u></u>

See notes to financial statements

YPSILANTI HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005  
=====

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Ypsilanti Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

**The Reporting Entity**

The Ypsilanti Housing Commission is a component unit of the City of Ypsilanti, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Ypsilanti on March 9, 1953, consisting of a five member board appointed by the City Mayor and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Ypsilanti Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

**Grants and Other Intergovernmental Revenues**

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-3045, the Housing Commission constructed, maintains and operates 193 units of subsidized housing in the City of Ypsilanti, Michigan. The Housing Commission manages a Housing Choice Voucher program of subsidies for 200 qualifying low-income residents for rental housing. The Housing Commission receives an annual operating subsidy determined under a performance formula for units owned by the Housing Commission and an administrative fee based on the number of households it assists under its Housing Choice Voucher program.

**Fund Financial Statements**

The Housing Commission only has *business-type activities*, which rely to a significant extent on fees and charges for support. The fund financial statements include the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows.

The Housing Commission is considered one single Enterprise Fund and does not have any governmental activities.

### **Fund Accounting**

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

### **Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the net assets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net asset components. Operating statements present increases (revenues) and decreases (expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Ypsilanti Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds.

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

### Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

### Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

### Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

### Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

### Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$25 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings	40 years
Equipment and furnishings	15 - 10 years
Building improvements	10 years

### Net Assets

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post-Fy 2001) reduced by accumulated depreciation and related capital projects debt issued to

purchase those assets.

- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

#### Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested capital assets rather than unrestricted net assets.

#### Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

#### Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- \* Vacation leave: Upon termination of employment, employees are entitled to receive reimbursement for any accumulated, but unused, vacation time.
- \* Sick pay: Used sick leave benefits will be allowed to accumulate indefinitely. Eligible employees will accrue sick leave benefits at the rate of 12 days per year. Upon death or retirement, the employee, the employee or heirs shall be paid for 1/2 of the employee's accumulated sick leave, at the employee's prevailing hourly rate of pay.
- \* Personal days: Personal leave may be granted for a period of up to 30 calendar days every 3 years. If this initial period of absence proves insufficient, consideration will be given to a written request for a single extension of no more than 30 calendar days.

The amount of accumulated benefits at June 30, 2005, was \$59,694, and is recorded as a liability in the applicable funds.

### Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

### Income Taxes

As a component unit of a Michigan home rule city, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

### **NOTE 2: DEPOSITS, INVESTMENTS AND CREDIT RISK**

The Housing Commission maintains cash and investment accounts in the Low Rent Program and Housing Choice Voucher funds. Landlord checks are processed through the Housing Choice Voucher account. All other receipts and disbursements are processed through the Low Rent Program accounts.

#### Deposits

At year-end, the carrying amount of the Housing Commission's deposits were \$62,579 and the bank balance was \$66,971 of which \$66,971 was covered by federal depository insurance. The Housing Commission also has \$500 in petty cash and \$1,000 in a legal services fund.

#### Investments

The Housing Commission had the following investments in certificates of deposit as June 30, 2005:

Citizens Bank (CD #4528616339)	\$ 52,395
Citizens Bank (CD #4528616352)	52,353
Citizens Bank (CD #4528258298)	52,979
Citizens Bank (CD #4528259049)	25,614
Citizens Bank (CD #4528259700)	25,527
Citizens Bank (CD #4525795144)	41,567
Citizens Bank (CD #4528616347)	52,395
Citizens Bank (CD #4528616354)	<u>52,353</u>
	<u>\$355,183</u>

*Interest Rate Risk* - The Housing Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* - The Housing Commission's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market

accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Housing Commission shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Housing Commission shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Housing Commission held in trust by the financial institution or bank. The Housing Commission may choose collateralization in the following form and percentages:

- |                                     |   |          |
|-------------------------------------|---|----------|
| 1. U.S. Treasury Notes              | - | 100%; or |
| 2. U.S. Treasury Notes and/or Bonds | - | 75% and  |
| 3. Mortgage Backed Securities       | - | 25%      |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the collateralization at a minimum once every quarter to the Housing Commission.

The Housing Commission has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk* - The Housing Commission places no limit on the amount the Housing Commission may invest in any one issuer. All of the Housing Commission's investments are reported in the Enterprise Fund.

A reconciliation of cash as shown on the statement of net assets is as follows:

Cash on hand	\$ 1,500
Carrying amount of deposits	62,579
Investments	<u>355,183</u>
Total	<u>\$ 419,262</u>
Cash and cash equivalents:	
Enterprise activities	\$ 423,654
Enterprise activities - checks written in excess of deposits	<u>( 4,392)</u>
Total	<u>\$ 419,262</u>

**NOTE 3: RECEIVABLES AND PAYABLES****Tenant Accounts Receivable**

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At June 30, 2005, the receivables were \$13,002 with \$34 estimated as uncollectible. Bad debt expense was \$-0-.

**Accounts Receivables - HUD**

Amounts due to HUD represents overfunding the Housing Commission has received. Balances at June 30, 2005 were as follows:

Housing Choice Voucher Program	<u>\$ 96,674</u>
--------------------------------	------------------

**Inter-fund Receivables, Payables, and Transfers**

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Low Rent Program	\$ 97,538	Housing Choice Voucher Program	<u>\$ 97,538</u>
	<u>\$ 97,538</u>		<u>\$ 97,538</u>

The capital fund program transferred \$160,740 to the Low Rent Program during the fiscal year ended June 30, 2005.

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Balance 06/30/04</u>	<u>Additions/Retirements/ Transfers</u>	<u>Transfers</u>	<u>Balance 06/30/05</u>
Housing Choice Voucher Program				
Furniture, equip. and machinery- administration	\$ 594	\$	\$	\$ 594
	594	<u>\$</u>	<u>\$</u>	594
Less accumulated depreciation	( 594)	<u>\$</u>		( 594)
Total	<u>\$</u>			<u>\$</u>

**Capital Fund Program**

Building improvements	\$ <u>          </u>	\$ <u>115,920</u>	\$ <u>          </u>	\$ <u>115,920</u>
-----------------------	----------------------	-------------------	----------------------	-------------------

**Low Rent Program**

Land	\$ 935,200	\$	\$	\$ 935,200
Buildings	9,581,076			9,581,076
Furniture, equip. & machinery - dwellings	39,733			39,733
Furniture, equip. & machinery - administration	<u>264,585</u>	<u>          </u>	<u>1</u>	<u>264,584</u>
	10,820,594	\$ <u>          </u>	\$ <u>1</u>	10,820,593
Less accumulated depreciation	<u>(7,821,712)</u>	\$ <u>(224,004)</u>	\$ <u>          </u>	<u>(8,045,716)</u>
Total	<u>\$2,998,882</u>			<u>\$2,774,877</u>
Combined Totals				<u>\$2,890,797</u>

**NOTE 5: INVESTED IN CAPITAL ASSETS**

Changes in invested in capital assets (formerly contributed capital) in the enterprise fund type for the year ended June 30, 2005, consist of the following:

	<u>Invested in Capital Assets</u>
Balance, beginning	\$ 2,998,882
Investment in fixed assets, net of depreciation paid for from operations net of depreciation, not included in contributed capital	<u>( 108,085)</u>
Balance, ending	<u>\$ 2,890,797</u>

These reclassifications are investments in fixed assets, net of depreciation paid for from operations, not included in contributed capital.

**NOTE 6: OTHER INFORMATION****A. Pension Plan**

The Ypsilanti Housing Commission pension plan is a Defined Benefit Plan (401a) and is reported to the Municipal Employees' Retirement System of Michigan (MERS) under the umbrella of the City of Ypsilanti. Each employee is covered under the defined benefit plan

with MERS that provides for annual employee contributions with complete vesting after 10 years of service. At December 31, 2004, the actuarial evaluation reported that there were 11 active members and 1 retiree and beneficiary. The termination liability is \$278,155, present value of accrued benefits \$318,464, valuation of assets \$309,449, and an unfunded value of \$9,015 as of December 31, 2004. Statistical information concerning the plan can be obtained from MERS, which is contained in their annual report.

#### **B. Current Vulnerability Due to Certain Concentrations**

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

#### **C. Risk Management and Litigation**

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

#### **D. Implementation of New Accounting Standard**

As of and for the year ended June 30, 2005, the Housing Commission implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis- State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a government's major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

**E. Prior Period Adjustments, Equity Transfers and  
Correction of Errors**

Low Rent Program

Overstated drug elimination receivable in prior year	\$ 61,884
Overstated capital fund interfund in prior year	<u>102,123</u>
	<u>\$ 164,007</u>

Housing Choice Voucher Program

Adjust HUD funding prior year	<u>\$(214,727)</u>
-------------------------------	--------------------

**F. Leases**

Details of the Housing Commission's outstanding capital leases, are set forth below;

Telephone system: The Housing Commission began leasing the telephone system on March 1996 for \$320.74 per month. The lease was originally for five (5) years. The payments during the fiscal year 2004/2005 was \$196.39 per month.

2003 Toyota Pickup: The Housing Commission began leasing a pickup Truck on January 31, 2003 for \$347.89 per month for 39 months.

Lease payments over the next five years are as follows:

2006	\$ 6,531
2007	2,357
2008	2,357
2009	2,357
2010	2,357

**NOTE 7: SEGMENT INFORMATION**

The Housing Commission maintains one Enterprise Fund that includes three separate programs which provide housing assistance and grant programs. Segment information for the year ended June 30, 2005, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>
<b>Condensed Statement of Net Assets</b>			
Current assets	\$ 524,081	\$	\$ 109,092
Property & equipment	<u>2,774,877</u>	<u>115,920</u>	
Total assets	<u>\$ 3,298,958</u>	<u>\$ 115,920</u>	<u>\$ 109,092</u>
Current liabilities	\$ 78,560	\$	\$ 97,538
Noncurrent liabilities	<u>53,725</u>		
Total noncurrent liabilities	<u>132,285</u>		<u>97,538</u>
Net assets:			
Invested in capital assets	2,774,877	115,920	
Unrestricted net assets	<u>391,796</u>		<u>11,554</u>
Total net assets	<u>3,166,673</u>	<u>115,920</u>	<u>11,554</u>
Total liabilities & net assets	<u>\$ 3,298,958</u>	<u>\$ 115,920</u>	<u>\$ 109,092</u>
<b>Condensed Statement of Activities</b>			
Dwelling and nondwelling rents	\$ 285,540	\$	\$
Depreciation	( 224,004)		
Other operating expenses	<u>(1,083,378)</u>		<u>( 1,724,438)</u>
Operating (loss)	<u>(1,021,842)</u>		<u>( 1,724,438)</u>
Nonoperating revenues:			
Investment earnings	16,570		451
Other income	76,932		
Operating grants	465,872	160,740	1,694,858
Capital grants		115,920	
Operating transfers	<u>160,740</u>	<u>(160,740)</u>	
Change in net assets	( 301,728)	115,920	( 29,129)
Prior period adjustments	164,007		( 214,727)
Beginning net assets	<u>3,304,394</u>		<u>255,410</u>
Ending net assets	<u>\$ 3,166,673</u>	<u>\$ 115,920</u>	<u>\$ 11,554</u>

**Condensed Statement  
of Cash Flows**

Net cash provided  
(used) by:

Operating activities	\$ ( 770,228 )	\$ ( 1,724,438 )
Noncapital financing activities	542,396	1,736,180
Capital and related financing activities	1	
Investing activities	<u>1,387</u>	<u>451</u>
Net increase (decrease)	( 226,444 )	12,193
Beginning cash and cash equivalents	<u>278,105</u>	<u>225</u>
Ending cash and cash equivalents	<u>\$ 51,661</u>	<u>\$ 12,418</u>

SUPPLEMENTARY INFORMATION

YPSILANTI HOUSING COMMISSION  
**COMBINING STATEMENT OF NET ASSETS**  
 June 30, 2005  
 =====

	C-3045 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 51,661	\$
Accounts receivable-HUD		
Accounts receivable-tenants	13,002	
Allowance for doubtful accounts	( 34)	
Investments-unrestricted	355,183	
Prepaid expenses	6,731	
Due from other programs	<u>97,538</u>	
Total current assets	<u>524,081</u>	
Property and equipment:		
Land	935,200	
Buildings	9,581,076	
Equipment	304,317	
Building improvements	<u>10,820,593</u>	<u>115,920</u>
Less accumulated depreciation	<u>( 8,045,716)</u>	<u>115,920</u>
Net property and equipment	<u>2,774,877</u>	<u>115,920</u>
Total Assets	<u>\$ 3,298,958</u>	<u>\$ 115,920</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 12,418	\$ 64,079
96,674	96,674
	13,002
	( 34)
	355,183
	6,731
	<u>97,538</u>
<u>109,092</u>	<u>633,173</u>
	935,200
	9,581,076
594	304,911
	<u>115,920</u>
594	10,937,107
( 594)	( 8,046,310)
	<u>2,890,797</u>
<u>\$ 109,092</u>	<u>\$ 3,523,970</u>

YPSILANTI HOUSING COMMISSION  
**COMBINING STATEMENT OF NET ASSETS (CONTINUED)**  
June 30, 2005  
=====

	C-3045 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 23,590	\$
Tenant security deposit liability	29,235	
Accrued expenses	17,093	
Deferred revenues	4,153	
Other current liabilities	4,489	
Due to other programs	<u>          </u>	<u>          </u>
Total current liabilities	78,560	
Noncurrent liabilities:		
Accrued compensated absences	<u>53,725</u>	<u>          </u>
Total liabilities	<u>132,285</u>	<u>          </u>
Net Assets:		
Invested in capital assets	2,774,877	115,920
Unrestricted net assets	<u>391,796</u>	<u>          </u>
Total net assets	<u>3,166,673</u>	<u>115,920</u>
Total Liabilities and Net Assets	<u><u>\$3,298,958</u></u>	<u><u>\$ 115,920</u></u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 23,590
	29,235
	17,093
	4,153
	4,489
<u>97,538</u>	<u>97,538</u>
97,538	176,098
	<u>53,725</u>
<u>97,538</u>	<u>229,823</u>
	2,890,797
<u>11,554</u>	<u>403,350</u>
<u>11,554</u>	<u>3,294,147</u>
<u>\$ 109,092</u>	<u>\$ 3,523,970</u>

YPSILANTI HOUSING COMMISSION  
COMBINING STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005  
=====

	C-3045 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>OPERATING REVENUES:</b>		
Dwelling rent	\$ 282,407	\$
Nondwelling rent	<u>3,133</u>	<u>          </u>
Total operating revenues	<u>285,540</u>	<u>          </u>
<b>OPERATING EXPENSES:</b>		
Administration	384,285	
Tenant services	3,211	
Utilities	151,824	
Ordinary maintenance and operation	406,088	
Protective services	3,611	
General expenses	104,234	
Interest expense	479	
Extraordinary maintenance	29,646	
Housing assistance payments		
Depreciation	<u>224,004</u>	<u>          </u>
Total operating expenses	<u>1,307,382</u>	<u>          </u>
Operating income(loss)	<u>(1,021,842)</u>	<u>          </u>
<b>NONOPERATING REVENUES:</b>		
Operating transfers in (out)	160,740	(160,740)
Investment interest income	16,570	
Other income	76,932	
Capital grants		115,920
Operating grants	<u>465,872</u>	<u>160,740</u>
Total nonoperating revenues	<u>720,114</u>	<u>115,920</u>
Change in net assets	( 301,728)	115,920
Prior period adjustments, equity transfers and correction of errors	164,007	
Net assets, beginning	<u>3,304,394</u>	<u>          </u>
Net assets, ending	<u>\$3,166,673</u>	<u>\$115,920</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 282,407
	<u>3,133</u>
	<u>285,540</u>
183,535	567,820
	3,211
	151,824
	406,088
	3,611
	104,234
	479
	29,646
1,540,903	1,540,903
	<u>224,004</u>
<u>1,724,438</u>	<u>3,031,820</u>
<u>(1,724,438)</u>	<u>( 2,746,280)</u>
451	17,021
	76,932
	115,920
<u>1,694,858</u>	<u>2,321,470</u>
<u>1,695,309</u>	<u>2,531,343</u>
( 29,129)	( 214,937)
( 214,727)	( 50,720)
<u>255,410</u>	<u>3,559,804</u>
<u>\$ 11,554</u>	<u>\$ 3,294,147</u>

YPSILANTI HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS**  
 Year Ended June 30, 2005  
 =====

	C-3045 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from dwelling and nondwelling rents	\$ 271,980	\$
Cash payments to other suppliers of goods and services	( 526,574)	
Cash payments to employees for services	( 503,634)	
Cash payments for in lieu of taxes	<u>( 12,000)</u>	
Net cash (used) by operating activities	<u>( 770,228)</u>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Tenant security deposits	11,475	
Due from/to other funds	( 237,206)	
Operating transfers in (out)	160,740	( 160,740)
Operating grants	468,571	160,740
Other revenue	<u>138,816</u>	
Net cash provided by noncapital financing activities	<u>542,396</u>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital grants		115,920
Payments for capital acquisitions	<u>1</u>	<u>( 115,920)</u>
Net cash provided by capital and related financing activities	<u>1</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Certificates of deposits purchased	( 15,183)	
Receipts of interest and dividends	<u>16,570</u>	
Net cash provided by investing activities	<u>1,387</u>	
Net increase(decrease) in cash	( 226,444)	
Cash, beginning	<u>278,105</u>	
Cash, ending	<u>\$ 51,661</u>	<u>\$</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 271,980
(1,587,821)	( 2,114,395)
( 136,617)	( 640,251)
<u>          </u>	<u>( 12,000)</u>
<u>(1,724,438)</u>	<u>( 2,494,666)</u>
	11,475
339,329	102,123
1,396,851	2,026,162
<u>          </u>	<u>138,816</u>
<u>1,736,180</u>	<u>2,278,576</u>
	115,920
<u>          </u>	<u>( 115,919)</u>
<u>          </u>	<u>1</u>
	( 15,183)
<u>451</u>	<u>17,021</u>
<u>451</u>	<u>1,838</u>
12,193	( 214,251)
<u>225</u>	<u>278,330</u>
<u>\$ 12,418</u>	<u>\$ 64,079</u>

YPSILANTI HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
 Year Ended June 30, 2005  
 =====

C-3045	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

**RECONCILIATION OF CASH AND CASH  
 EQUIVALENTS PER STATEMENT OF CASH  
 FLOWS TO THE BALANCE SHEET:**

Cash	\$	51,661	\$
Restricted cash			
Cash and cash equivalents per balance sheet	\$	<u>51,661</u>	\$ <u>          </u>

**SCHEDULE RECONCILING OPERATING INCOME  
 TO NET CASH FLOW FROM OPERATING  
 ACTIVITIES:**

Operating income(loss)	\$ ( 1,021,842)	\$
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	224,004	
Bad debt allowance	( 966)	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	( 8,536)	
Prepaid expenses	( 404)	
Increase (decrease) in liabilities:		
Accounts payable	17,430	
Accrued wage/payroll taxes payable	( 3,386)	
Accrued compensated absences	29,847	
Accounts payable-PILOT	( 5,840)	
Other current liabilities	4,489	
Deferred revenues	( 5,024)	
Net cash (used) by operating activities	\$ ( 770,228)	\$ <u>          </u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 12,418	\$ 64,079
<u>          </u>	<u>          </u>
<u>\$ 12,418</u>	<u>\$ 64,079</u>
\$ ( 1,724,438)	\$ ( 2,746,280)
	224,004
	( 966)
	( 8,536)
	( 404)
	17,430
	( 3,386)
	29,847
	( 5,840)
	4,489
<u>          </u>	<u>( 5,024)</u>
<u>\$ ( 1,724,438)</u>	<u>\$ ( 2,494,666)</u>

YPSILANTI HOUSING COMMISSION  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS**  
Year Ended June 30, 2005  
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u> <u>Major - Direct Program</u>		
2005	Low Rent Public Housing	14.850	\$ 465,872
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2005	Capital Fund Program	14.872	276,660
	<u>Low Income Public Housing</u> <u>Major - Direct Program</u>		
2005	Housing Choice Vouchers	14.871	<u>1,694,858</u>
	Total		<u>\$2,437,390</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1: Significant Accounting Policies**

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

## YPSILANTI HOUSING COMMISSION

## FINANCIAL DATA SCHEDULE

Year Ended June 30, 2005

=====

FDS Line Item No.		C-3045 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>ASSETS</b>		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 51,661	\$
100	Total cash	<u>51,661</u>	
	Receivables:		
122	A/R-HUD other projects		
126	A/R-tenants-dwelling rents	13,002	
126.1	Allowance for doubtful accounts - dwelling rents	( 34)	
120	Total receivables, net of allowance for doubtful accounts	<u>12,968</u>	
	Current Investments:		
131	Investments-unrestricted	<u>355,183</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	6,731	
144	Interprogram due from	<u>97,538</u>	
	Total other current assets	<u>104,269</u>	
150	Total current assets	<u>524,081</u>	
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	935,200	
162	Buildings	9,581,076	
163	Furn, equip & mach-dwellings	39,733	
164	Furn, equip & mach-admin.	264,584	
165	Building improvements		115,920
166	Accumulated depreciation	<u>(8,045,716)</u>	
160	Total fixed assets, net of accumulated depreciation	<u>2,774,877</u>	<u>115,920</u>
180	Total noncurrent assets	<u>2,774,877</u>	<u>115,920</u>
190	Total Assets	<u>\$ 3,298,958</u>	<u>\$115,920</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
<u>\$ 12,418</u>	<u>\$ 64,079</u>
<u>12,418</u>	<u>64,079</u>
96,674	96,674
	13,002
	( 34)
<u>96,674</u>	<u>109,642</u>
	<u>355,183</u>
	6,731
	<u>97,538</u>
	<u>104,269</u>
<u>109,092</u>	<u>633,173</u>
	935,200
	9,581,076
	39,733
594	265,178
	115,920
( 594)	( 8,046,310)
	<u>2,890,797</u>
	<u>2,890,797</u>
<u>\$ 109,092</u>	<u>\$ 3,523,970</u>

YPSILANTI HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
 Year Ended June 30, 2005  
 =====

FDS Line Item No.		C-3045 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and NET ASSETS</b>			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 17,430	\$
321	Accrued wage/payroll taxes payable	11,124	
322	Accrued compensated absences	5,969	
333	Accounts payable-other government	6,160	
341	Tenant security deposits	29,235	
342	Deferred revenues	4,153	
345	Other current liabilities	4,489	
347	Interprogram due to		
310	Total current liabilities	78,560	
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>53,725</u>	
300	Total liabilities	<u>132,285</u>	
	Net Assets:		
508.1	Invested in capital assets	<u>2,774,877</u>	<u>115,920</u>
508	Total invested in capital assets	2,774,877	115,920
512.1	Unrestricted net assets	<u>391,796</u>	
513	Total Net Assets	<u>3,166,673</u>	<u>115,920</u>
600	Total Liabilities and Net Assets	<u>\$ 3,298,958</u>	<u>\$115,920</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 17,430
	11,124
	5,969
	6,160
	29,235
	4,153
	4,489
<u>97,538</u>	<u>97,538</u>
97,538	176,098
<u>          </u>	<u>53,725</u>
<u>97,538</u>	<u>229,823</u>
<u>          </u>	<u>2,890,797</u>
	2,890,797
<u>11,554</u>	<u>403,350</u>
<u>11,554</u>	<u>3,294,147</u>
<u>\$ 109,092</u>	<u>\$ 3,523,970</u>

YPSILANTI HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
 Year Ended June 30, 2005

=====

FDS Line Item No.		C-3045 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>Revenue:</b>		
703	Net tenant rental revenue	\$ 282,407	\$
704	Tenant revenue-other	<u>3,133</u>	
705	Total tenant revenue	285,540	
706	HUD PHA grants	465,872	160,740
706.1	Capital grants		115,920
711	Investment income-unrestricted	16,570	
715	Other revenue	<u>76,932</u>	
700	Total revenue	<u>844,914</u>	<u>276,660</u>
	<b>Expenses:</b>		
	Administrative:		
911	Administrative salaries	231,266	
912	Auditing fees	6,900	
914	Compensated absences	1	
915	Employee benefit contributions-adm.	91,834	
916	Other operating-administrative	54,284	
	Tenant Services:		
924	Tenant services-other	3,211	
	Utilities:		
931	Water	116,732	
932	Electricity	14,848	
933	Gas	20,244	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	148,156	
942	Ordinary maint & oper-mat'ls & other	75,567	
943	Ordinary maint & oper-contract costs	123,526	
945	Employee benefit contributions	58,839	
953	Protective services-other	3,611	
	General expenses:		
961	Insurance premiums	99,394	
963	Payments in lieu of taxes	6,160	
964	Bad debt-tenant rents	( 1,320)	
967	Interest expense	<u>479</u>	
969	Total operating expenses	<u>1,053,732</u>	
970	Excess operating revenue over operating expenses	( 208,818)	<u>276,660</u>

Housing Choice Vouchers 14.871	Totals
\$	\$ 282,407
	3,133
	285,540
1,694,858	2,321,470
	115,920
451	17,021
	76,932
1,695,309	2,816,883
127,574	358,840
	6,900
	1
9,043	100,877
46,918	101,202
	3,211
	116,732
	14,848
	20,244
	148,156
	75,567
	123,526
	58,839
	3,611
	99,394
	6,160
	( 1,320)
	479
183,535	1,237,267
1,511,774	1,579,616

YPSILANTI HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
 Year Ended June 30, 2005  
 =====

FDS Line Item No.		C-3045 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>Expenses continued:</b>		
	Other expenses:		
971	Extraordinary maintenance	29,646	
973	Housing assistance payments		
974	Depreciation expense	<u>224,004</u>	
	Total other expenses	<u>253,650</u>	
900	Total expenses	<u>1,307,382</u>	
	Excess (deficiency) of operating revenue over (under) expenses before other financing sources (uses)	( 462,468)	276,660
	<b>Other Financing Sources (Uses):</b>		
1001	Operating transfers in (out)	<u>160,740</u>	<u>(160,740)</u>
1000	Excess (deficiency) of operating revenue over (under) expenses	( 301,728)	115,920
1103	Beginning Net Assets	3,304,394	
1104	Prior period adjustments, equity transfers and correction of errors	<u>164,007</u>	
	Ending Net Assets	<u>\$ 3,166,673</u>	<u>\$115,920</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
	29,646
1,540,903	1,540,903
	<u>224,004</u>
<u>1,540,903</u>	<u>1,794,553</u>
<u>1,724,438</u>	<u>3,031,820</u>
( 29,129)	( 214,937)
( 29,129)	( 214,937)
255,410	3,559,804
( 214,727)	( 50,720)
<u>\$ 11,554</u>	<u>\$ 3,294,147</u>

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

Board of Housing Commissioners  
Ypsilanti Housing Commission  
Ypsilanti, Michigan

I have audited the financial statements of the business-type activities of the Ypsilanti Housing Commission, Michigan, (Housing Commission) as of and for the year ended June 30, 2005, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated February 28, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated February 28, 2006.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which

Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards*  
Ypsilanti Housing Commission  
Page Two

**Compliance and Other Matters (continued)**

could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Larry E. Tardiff, CPA, PC*

February 28, 2006

**Report on Compliance with Requirements  
Applicable To Each Major Program and  
Internal Control over Compliance  
in Accordance with OMB Circular A-133**

Board of Housing Commissioners  
Ypsilanti Housing Commission  
Ypsilanti, Michigan

**Compliance**

I have audited the compliance of the Ypsilanti Housing Commission , Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements  
Applicable to Each Major Program and  
Internal Control Over Compliance in  
Accordance with OMB Circular A-133  
Ypsilanti Housing Commission  
Page Two

**Compliance (continued)**

In my opinion, the Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

**Internal Control Over Compliance**

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses. I have noted other matters involving the internal control over financial reporting that I have reported to management of the Housing Commission in a separate letter dated February 28, 2006.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Samy E. Handlett, CPA, PC*

February 28, 2006

YPSILANTI HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2005  
=====

**A. Summary of Audit Results**

Financial Statements

1. Type of Auditor's Report issued: Unqualified
2. Internal control over financial reporting:
  - a. Material weakness identified No
  - b. Reportable condition identified that is not a material weakness No
3. Noncompliance material to financial statements: No

Federal Awards

1. Internal control over major programs:
  - a. Material weakness identified No
  - b. Reportable condition that is not a material weakness No
2. Type of auditor's report issued on compliance for major programs Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 No
4. Identification of major programs:

CFDA Number	Federal Program	Amount Expended	Major Program	Compliance Requirement	Questioned Costs	Audit Finding
14.850	Low Rent Public Housing	\$ 465,872	Yes	O	N/A	N/A
14.872	Capital Fund Program	276,660	No	O	N/A	N/A
14.871	Housing Choice Vouchers	<u>1,694,858</u>	Yes	O	N/A	N/A
	<b>Total</b>	<u>\$2,437,390</u>				

5. Dollar threshold used to distinguish between type A and type B programs \$300,000
6. Auditee qualified as low-risk auditee? No

YPSILANTI HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
June 30, 2005

=====

B.	Financial Statement Findings	None
C.	Federal Award Findings and Questioned Costs	None

YPSILANTI HOUSING COMMISSION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2005  
=====

NONE

YPSILANTI HOUSING COMMISSION  
**ADJUSTING JOURNAL ENTRIES**  
 JUNE 30, 2005  
 =====

<u>Account Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
-----------------------	---------------------	--------------	---------------

**LOW RENT PROGRAM:**

	(1)		
1211	Prepaid insurance	\$ 6,731.25	
4510	Insurance		\$ 6,731.25
	To setup prepaid insurance for auto insurance.		

**HOUSING CHOICE VOUCHER PROGRAM:**

	(1)		
1111	General fund cash-		
	checking	\$ 5,978.70	
3111	HAP payments		\$ 5,978.70
	To adjust checking balance to correct amount. Original balance is balance as of May 31, 2005.		

YPSILANTI HOUSING COMMISSION  
INDEPENDENT AUDITORS' REPORTS  
ON COMMUNICATIONS WITH THE  
AUDIT COMMITTEE/BOARD OF COMMISSIONERS  
AND  
MANAGEMENT ADVISORY COMMENTS

JUNE 30, 2005

YPSILANTI HOUSING COMMISSION  
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JUNE 30 2005

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Management Advisory Comments	4
Adjusting Journal Entries	5

**INDEPENDENT AUDITORS' REPORT ON  
COMMUNICATIONS WITH THE AUDIT COMMITTEE/  
BOARD OF COMMISSIONERS**

To the Board of Commissioners  
Ypsilanti Housing Commission

I have audited the financial statements of the Ypsilanti Housing Commission ("Housing Commission") as of and for the year ended June 30, 2005, and have issued my report, thereon, dated February 28, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

**Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America** - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

**Significant Accounting Policies** - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were several audit adjusting journal entries, but no controversial accounting issues.

**Management Judgments and Accounting Estimates** - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

**Other Information in Documents Containing Audited Financial Statements** - All the information included in the financial statements document has been audited and my responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE  
AUDIT COMMITTEE - CONTINUED**

**Audit Adjustments** - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 5, showing the audit adjusting journal entries).

**Disagreements With Management** - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

**Consultations With Other Accountants** - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

**Major Issues Discussed With Management Prior to Retention** - There was no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

**Difficulties Encountered in Performing the Audit** - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

*Bary E. Tardiff, CPA, PC*

February 28, 2006

**INDEPENDENT AUDITORS' REPORT ON  
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners  
Ypsilanti Housing Commission

I have audited the financial statements of the Ypsilanti Housing Commission ("Housing Commission") as of and for the year ended June 30, 2005, and have issued my report, thereon, dated February 28, 2006. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

*Barry E. Gaudette, CPA, P.C.*

February 28, 2006

YPSILANTI HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS

June 30, 2005

=====

**Accounts Receivable**

The accounts receivable from tenants went from a balance of \$4,466 as of June 30, 2004 to a balance of \$13,002 as of June 30, 2005.

I recommend that the Housing Commission continue to work on collecting dwelling rents from tenants. The \$13,002 balance represents about one half of the monthly rent roll.

**Outstanding Checks**

The Housing Commission has outstanding checks on the low rent program bank reconciliation that are over a year old.

I recommend that any outstanding checks that are over a year old be written off.

**Depreciation Schedule**

The Housing Commission has not in recent years added assets to the depreciation schedule, because there has not been additions to add. Also, the depreciation schedule used is from the Housing Commission's former fee accountant.

I recommend the Housing Commission either obtain depreciation software or use a spreadsheet program to prepare future depreciation schedules.

**Rent Reasonable Test**

The Housing Commission has not been preparing the rent reasonable test in recent years in the Housing Choice Voucher Program. This test is required by HUD.

I recommend that the Housing Commission take the necessary steps to obtain the data to prepare this test for each tenant as they are recertified and for movein's.

**Waiting List**

The Housing Commission uses a waiting list for selecting tenants in the Low Rent Program, but cannot prove that each tenant was selected properly.

I recommend that a copy of the waiting list be copied each time a tenant is selected and either be placed in the tenant file or kept separately.

YPSILANTI HOUSING COMMISSION  
**ADJUSTING JOURNAL ENTRIES**  
 June 30, 2005  
 =====

<u>Account Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
<b>LOW RENT PROGRAM</b>			
	(1)		
1211	Prepaid insurance	\$ 6,731.25	
4510	Insurance		\$ 6,731.25
	To setup prepaid insurance for auto insurance.		

**HOUSING CHOICE VOUCHER PROGRAM**

	(1)		
1111	General fund cash - checking	\$ 5,978.70	
3111	HAP payments		\$ 5,978.70
	To adjust checking balance to correct amount. Original balance is balance as of May 31, 2005.		